

**SONORA UNION  
HIGH SCHOOL DISTRICT**

04896

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2008**



SONORA UNION HIGH SCHOOL DISTRICT  
OF TUOLUMNE COUNTY  
SONORA, CALIFORNIA  
JUNE 30, 2008

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Kate Powell Segerstrom	President	2009
Ms. Jeanie Smith	Clerk	2011
Dr. Ed Clinite	Member	2011
Ms. Jan Dona	Member	2011
Mr. Mel Ginn	Member	2009

**ADMINISTRATION**

Mr. Michael L. McCoy	Interim Superintendent
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# SONORA UNION HIGH SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2008

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### **FINANCIAL SECTION**

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	17
Fiduciary Funds - Statement of Net Assets	18
Fiduciary Funds - Statement of Changes in Fiduciary Net Assets	19
Notes to Financial Statements	20

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	42
Deferred Maintenance Fund - Budgetary Comparison Schedule	43
Special Reserve Fund for Other Than Capital Outlay Projects - Budgetary Comparison Schedule	44

### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	46
Local Education Agency Organization Structure	47
Schedule of Average Daily Attendance	48
Schedule of Instructional Time	49
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	50
Schedule of Financial Trends and Analysis	51
Excess Sick Leave	52
Note to Supplementary Information	53

### **SUPPLEMENTARY INFORMATION - UNAUDITED**

Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	56
Note to Supplementary Information - Unaudited	57

### **INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	61
Report on State Compliance	63

**SONORA UNION HIGH SCHOOL DISTRICT**

**TABLE OF CONTENTS**

**JUNE 30, 2008**

---

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

Summary of Auditors' Results	66
Financial Statement Findings	67
Federal Award Findings and Questioned Costs	71
State Award Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Sonora Union High School District  
Sonora, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Union High School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Union High School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on pages 42 through 44, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*Vavrinek, Urine, Day & Co., LLP*

Fresno, California  
November 10, 2008



Superintendent's Office  
209/533-8510  
shssupt@sonorahs.k12.ca.us  
FAX 209/533-0991

## Sonora Union High School District

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This section of Sonora Union High School District's (comprehensive) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

#### *The Financial Statements*

The financial statements presented herein include all of the activities of the Sonora Union High School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

*Governmental Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Sonora Union High School District.

## SONORA UNION HIGH SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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#### ***REPORTING THE DISTRICT AS A WHOLE***

##### *The Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, the District activities are as follows:

**Governmental Activities** - The District's services are reported in this category. This includes the education of grade nine through grade twelve students, adult education students, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, finance these activities.

#### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

##### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by debt covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.



# SONORA UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### ***THE DISTRICT AS TRUSTEE***

#### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### ***FINANCIAL HIGHLIGHTS OF THE PAST YEAR***

Sonora Union High School District experienced a loss of 100 students from the previous year. The loss of enrollment was projected in the Spring of 2007 and incorporated into the budget accordingly. Staff reductions were made in the Spring of 2007 and again in the Spring of 2008 to prepare for the loss of revenue limit ADA in 2008/09. The district administration continues to monitor enrollments in the high school district and feeder school district for future enrollment projections.

Some one-time contributions were made from the 2006/07 ending balance to Fund 20 for future retiree benefits, to Fund 14 for additional deferred maintenance, and to Technology for additional support and supplies.

Salaries and statutory benefits were increased by a 3.5% COLA to the salary schedules and a district average of 1.4% step and column costs. Technology support was increased with a 0.5 FTE classified position for the year.

New math textbooks were purchased after adopted by the SUHSD Board of Trustees. Additional instructional materials were provided with appropriate restricted funding.

A new bus was purchased, funded by the Small School District Bus Replacement Grant. Bus #44 replaced bus #30. Regular Home to School Transportation expenses were reduced by \$0.80 per mile. Reductions in overtime and extra hours contributed to this. Additional reductions have been made to permanent hours for the 2008/09 year. Special Needs Transportation continues to grow, driven by enrollment and IEPs.

A new attendance program, Aeries, was purchased at the end of the 2007/08 school year, with implementation in 2008/09. The cost was funded by revenue earned by participating in the CALPADS Cohort project and one-time contribution to technology.

A necessity for new cafeteria meal tracking software was identified by district staff and by the state employee leading the Coordinated Review Effort. Three companies were researched. \$25,000 was designated for hardware and software and scheduled for 2008/09 implementation.

Two large construction projects were completed on the Sonora High Campus. The first one was updating and increasing the electrical power. The second one was replacing the boilers in the auditorium and the gymnasium. Both of these projects were funded through the Deferred Maintenance Hardship Program.

## SONORA UNION HIGH SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

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The Cafeteria Modernization architect plans have been approved through the Department of State Architect (DSA). The project is on hold.

An application was submitted for Modernization funding to cover the cost of a new chiller added to the gym to provide air conditioning to the gym, annex, and cafeteria. Another chiller will be added to provide air conditioning to the locker rooms. The modernization funding will also reimburse the District for two other completed projects (the field restroom and the Industrial Arts ramp and stairs) that had been covered in full by Developer Fees.

A Facility Study was completed and presented to the Board. A need to expand Career Technology Education programs was a main issue. The facilities at the district's main Sonora High campus, alternative education and district office site, and vacant land on Tuolumne Road were all discussed. Future needs and options were recorded.

#### ***THE DISTRICT AS A WHOLE***

##### *Net Assets*

The District's net assets were \$17.3 million for the fiscal year ended June 30, 2008, and \$16.5 million for the fiscal year ended June 30, 2007; an increase of \$0.8 million. Of this amount, \$0.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities for the past two fiscal years.

**Table 1**

(Amounts in millions)	Governmental Activities		Difference
	2008	2007	
Current and other assets	\$ 4.6	\$ 6.1	\$ (1.5)
Capital assets	13.8	12.1	1.7
<b>Total Assets</b>	<b>18.4</b>	<b>18.2</b>	<b>0.2</b>
Current liabilities	0.9	1.5	(0.6)
Long-term obligations	0.2	0.2	-
<b>Total Liabilities</b>	<b>1.1</b>	<b>1.7</b>	<b>(0.6)</b>
Net assets			
Invested in capital assets, net of related debt	13.8	12.0	1.8
Restricted	3.0	3.4	(0.4)
Unrestricted	0.5	1.1	(0.6)
<b>Total Net Assets</b>	<b>\$ 17.3</b>	<b>\$ 16.5</b>	<b>\$ 0.8</b>

The \$0.5 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

# SONORA UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

(Amounts in millions)	Governmental Activities		Difference
	2008	2007	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.4	\$ 0.4	\$ -
Operating grants and contributions	3.8	3.7	0.1
General revenues:			
Federal and State aid not restricted	2.8	3.7	(0.9)
Property taxes	7.8	7.4	0.4
Other general revenues	1.5	2.2	(0.7)
<b>Total Revenues</b>	<b>16.3</b>	<b>17.4</b>	<b>(1.1)</b>
<b>Expenses</b>			
Instruction related	9.7	9.3	0.4
Student support services	2.9	2.5	0.4
Administration	1.1	1.0	0.1
Maintenance and operations	1.5	1.6	(0.1)
Other	0.3	1.1	(0.8)
<b>Total Expenses</b>	<b>15.5</b>	<b>15.5</b>	<b>(0.0)</b>
<b>Change in Net Assets</b>	<b>\$ 0.8</b>	<b>\$ 1.9</b>	<b>\$ (1.1)</b>

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$15.5 million, the same as in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$7.8 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$3.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$2.8 million in Federal and State funds and with \$1.5 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

## SONORA UNION HIGH SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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**Table 3**

(Dollar amounts in millions)

	Net Cost of Services	
	2008	2007
Instruction related	\$ 7.8	\$ 7.0
Student support services	1.3	0.9
Administration	1.0	0.9
Maintenance and operations	1.3	1.5
Other	-	1.1
<b>Totals</b>	<b>\$ 11.4</b>	<b>\$ 11.4</b>

The District originally projected an increase in the General Fund of approximately \$0.2 million. Although expenditures were \$1.4 million more than expected, revenues were \$0.5 million more than originally projected.

#### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$3.6 million, while the prior year reported a balance of \$4.6 million, which is a decrease of \$1.0 million from last year.

#### ***General Fund Budgetary Highlights***

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted at 3rd Interim on May 20, 2008. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 42).

- Revenues increased \$648,251 from the original budget adopted in June 2007 due primarily to maximizing the Hourly Core reimbursement for zero period classes, increase to enrollment in Morgan Hart Class Size Reduction program, increase Lottery projections, increase FEMA funding creek repair, add Small School District Bus Replacement Grant, increase State Water Resources funding for UGST monitoring, add retiree contributions for H&W, and update local income and interest.
- Expenditures increased by \$1,914,950. This increase was primarily driven by increases in collective bargaining agreements, transfer of \$475,000 to Fund 20 for future Other Post-Employment Benefits, increase contribution to Fund 14 for additional Deferred Maintenance expenses, new bus, and increase supplies and equipment due to carry-over from 2006/07 and balance of one-time state revenues.

# SONORA UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *CAPITAL ASSET & DEBT ADMINISTRATION*

#### Capital Assets

At June 30, 2007, the District had \$12.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2008, the net fixed assets totaled \$13.8 million. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$1.7 million from last year (Table 4).

**Table 4**

(Amounts in millions)	Governmental Activities		Difference
	2008	2007	
Land and construction in progress	\$ 1.8	\$ 3.0	\$ (1.2)
Buildings and improvements	10.7	7.8	2.9
Equipment	1.3	1.3	-
<b>Totals</b>	<b>\$ 13.8</b>	<b>\$ 12.1</b>	<b>\$ 1.7</b>

This year's additions of \$2.3 million included vehicles and facilities upgrades.

Several capital projects are planned for the 2008-09 year. We anticipate capital additions to be \$1.6 million for the 2008-09 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

#### Long-Term Obligations

At the end of this year, the District had \$0.2 million in liabilities outstanding which is relatively equal to last year. Those liabilities consisted of:

**Table 5**

	Governmental Activities		Difference
	2008	2007	
Capitalized lease obligations	\$ 0.1	\$ 0.1	\$ -
Other	0.1	0.1	-
<b>Totals</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ -</b>

We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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#### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:***

Completed a \$1,604,014 million school electrical project to upgrade transformers and power supply lines throughout the campus.

Completed most of a \$976,076 million school mechanical project to replace old boilers.

Completed most of a \$324,321 chiller addition to the gym, annex, and cafeteria. The change order for the remaining chiller (\$377,761) to be added to gym locker rooms has been approved through DSA. It is expected to be completed in the Summer of 2009. Modernization funding has been received for these projects to cover 60% of expenses.

#### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2008-09 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Enrollment estimated at 1,427 students at Sonora High School – relatively steady for one year.
2. Revenue limit income will be adjusted by a 5.66% COLA, with a 5.357% deficit factor, which nets to a 0% COLA.
3. 2008-09 District ADA projected to be 1,433.02 with County ADA. 2007-08 P-2 ADA reported at 1,427.76.
4. Lottery revenue budgeted at \$143.50 per student - \$121 unrestricted/\$22.50 restricted.
5. A decrease of 6.5% over the 2007-08 revenue for Adult Education.
6. \$65 per prior year CBEDS 2007 enrollment of 1,539 for Instructional Materials Block Grant.
7. ROP funding at \$3,350 x 200 ADA.
8. Staffing ratio at Sonora High School will be 24.67:1 overall – 285 sections.
9. Increase classified technology support from 1.5 to 2.0 FTE for 2008-09 school year.
10. Step and column increase are estimated at 1.5%.
11. Maintain retiree benefits as they now exist on a pay as you go basis - \$198,502 from Fund 20. An actuarial study was done in 2007-08 in preparation for GASB 45. The ARC was calculated to be \$134,270 as of 7/1/2007.
12. Estimated contributions to restricted programs of \$1,858,149.

#### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Sonora Union High School District, 251 S. Barretta Street, Sonora, California, 95370.

# SONORA UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Deposits and investments	\$ 3,324,883
Receivables	1,283,177
Stores inventories	1,912
Nondepreciable capital assets	1,747,679
Depreciable capital assets	21,475,531
Accumulated depreciation	(9,399,506)
<b>Total Assets</b>	<u>18,433,676</u>
<b>LIABILITIES</b>	
Accounts payable	949,368
Deferred revenue	19,783
Current portion of long-term obligations	154,295
Noncurrent portion of long-term obligations	20,479
<b>Total Liabilities</b>	<u>1,143,925</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,763,406
Restricted for:	
Capital projects	783,127
Educational programs	884,705
Other activities	1,387,840
Unrestricted	470,673
<b>Total Net Assets</b>	<u>\$ 17,289,751</u>

The accompanying notes are an integral part of these financial statements.

# SONORA UNION HIGH SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 7,908,743	\$ -	\$ 1,613,725
Instruction-related activities:			
Supervision of instruction	31,089	-	6,029
Instructional library, media and technology	393,528	-	109,332
School site administration	1,365,718	-	217,951
Pupil services:			
Home-to-school transportation	1,691,360	114,701	813,731
Food services	544,318	248,971	125,880
All other pupil services	663,920	-	299,037
General administration:			
Data processing	12,778	-	-
All other general administration	1,072,193	-	83,906
Plant services	1,470,875	-	121,559
Ancillary services	338,569	-	-
Interest on long-term obligations	3,388	-	-
Other outgo	14,266	-	389,423
<b>Total Governmental-Type Activities</b>	<b>\$ 15,510,745</b>	<b>\$ 363,672</b>	<b>\$ 3,780,573</b>
General revenues and subventions:			
Property taxes, levied for general purposes			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Transfers between agencies			
Miscellaneous			
<b>Subtotal, General Revenues</b>			
<b>Excess (Deficiency) of Revenues Over Expenses</b>			
Net Assets - Beginning			
Net Assets - Ending			

The accompanying notes are an integral part of these financial statements.



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**Net (Expenses)  
Revenues and  
Changes in  
Net Assets**

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**Governmental  
Activities**

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\$ (6,295,018)

(25,060)

(284,196)

(1,147,767)

(762,928)

(169,467)

(364,883)

(12,778)

(988,287)

(1,349,316)

(338,569)

(3,388)

375,157

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(11,366,500)

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7,834,820

21,161

2,786,695

137,497

410,295

904,258

---

12,094,726

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728,226

16,561,525

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\$ 17,289,751

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# SONORA UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2008

	General Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
<b>ASSETS</b>			
Deposits and investments	\$ 1,621,280	\$ 46,684	\$ 556,349
Receivables	759,109	505,155	-
Due from other funds	7,980	-	60,500
Stores inventories	-	-	-
<b>Total Assets</b>	<u>\$ 2,388,369</u>	<u>\$ 551,839</u>	<u>\$ 616,849</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 900,644	\$ 12,629	\$ -
Due to other funds	-	312,023	-
Deferred revenue	19,783	-	-
<b>Total Liabilities</b>	<u>920,427</u>	<u>324,652</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved for:			
Revolving cash	4,000	-	-
Stores inventories	-	-	-
Legally restricted balance	884,705	-	-
Unreserved:			
Designated	579,237	227,187	616,849
<b>Total Fund Balance</b>	<u>1,467,942</u>	<u>227,187</u>	<u>616,849</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,388,369</u>	<u>\$ 551,839</u>	<u>\$ 616,849</u>

The accompanying notes are an integral part of these financial statements.

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Non-Major Governmental Funds	Total Governmental Funds
\$ 1,100,570	\$ 3,324,883
18,913	1,283,177
291,523	360,003
1,912	1,912
<u>\$ 1,412,918</u>	<u>\$ 4,969,975</u>
\$ 36,095	\$ 949,368
47,980	360,003
-	19,783
<u>84,075</u>	<u>1,329,154</u>
-	4,000
1,912	1,912
-	884,705
<u>1,326,931</u>	<u>2,750,204</u>
<u>1,328,843</u>	<u>3,640,821</u>
<u>\$ 1,412,918</u>	<u>\$ 4,969,975</u>

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# SONORA UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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### Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

<b>Total Fund Balance - Governmental Funds</b>		\$ 3,640,821
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 23,223,210	
Accumulated depreciation is	(9,399,506)	
Total capital assets		13,823,704
Long-term liabilities at year end consist of:		
Capital lease obligations	(60,298)	
Compensated absences	(114,476)	
Total long-term liabilities		(174,774)
<b>Total Net Assets - Governmental Activities</b>		<u>\$ 17,289,751</u>

The accompanying notes are an integral part of these financial statements.

# SONORA UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Deferred Maintenance Fund
<b>REVENUES</b>		
Revenue limit sources	\$ 9,991,855	\$ -
Federal sources	848,787	-
Other state sources	2,955,135	570,360
Other local sources	1,042,415	2,381
<b>Total Revenues</b>	<b>14,838,192</b>	<b>572,741</b>
<b>EXPENDITURES</b>		
Current		
Instruction	7,481,982	-
Instruction-related activities:		
Supervision of instruction	31,089	-
Instructional library, media and technology	393,528	-
School site administration	1,334,050	-
Pupil Services:		
Home-to-school transportation	1,669,223	-
Food services	6,758	-
All other pupil services	663,920	-
General administration:		
All other general administration	1,008,603	-
Plant services	1,971,791	8,437
Facility acquisition and construction	27,942	387,392
Ancillary services	338,569	-
Other outgo	14,266	-
Debt service		
Principal	38,348	-
Interest and other	3,388	-
<b>Total Expenditures</b>	<b>14,983,457</b>	<b>395,829</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(145,265)</b>	<b>176,912</b>
<b>Other Financing Sources (Uses):</b>		
Transfers in	173,260	116,584
Transfers out	(719,632)	(691,523)
<b>Net Financing Sources (Uses)</b>	<b>(546,372)</b>	<b>(574,939)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(691,637)</b>	<b>(398,027)</b>
<b>Fund Balance - Beginning</b>	<b>2,159,579</b>	<b>625,214</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,467,942</b>	<b>\$ 227,187</b>

The accompanying notes are an integral part of these financial statements.

Special Reserve Non-Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,991,855
-	106,760	955,547
-	237,793	3,763,288
23,700	459,785	1,528,281
23,700	804,338	16,238,971
-	132,858	7,614,840
-	-	31,089
-	-	393,528
-	18,890	1,352,940
-	-	1,669,223
-	486,446	493,204
-	-	663,920
-	50,812	1,059,415
-	-	1,980,228
-	1,145,983	1,561,317
-	-	338,569
-	-	14,266
-	-	38,348
-	-	3,388
-	1,834,989	17,214,275
23,700	(1,030,651)	(975,304)
-	1,294,571	1,584,415
-	(173,260)	(1,584,415)
-	1,121,311	-
23,700	90,660	(975,304)
593,149	1,238,183	4,616,125
\$ 616,849	\$ 1,328,843	\$ 3,640,821

## SONORA UNION HIGH SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

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**Total Net Change in Fund Balances - Governmental Funds** \$ (975,304)  
**Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital Outlays	\$ 2,318,379	
Depreciation expense	<u>(638,919)</u>	1,679,460

In the statement of activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Vacation used was less than the amounts earned by \$14,278. (14,278)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the Statement of Activities:

Capital lease obligations	<u>38,348</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 728,226</u></u>

The accompanying notes are an integral part of these financial statements.



# SONORA UNION HIGH SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

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	Other Private- Purpose Trust	Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 268,933	\$ 129,617
<b>Total Assets</b>	<u>268,933</u>	<u>129,617</u>
<b>LIABILITIES</b>		
Due to student groups	-	129,617
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 129,617</u>
<b>NET ASSETS</b>		
Unreserved	268,933	
<b>Total Net Assets</b>	<u>\$ 268,933</u>	

The accompanying notes are an integral part of these financial statements.

## SONORA UNION HIGH SCHOOL DISTRICT

### FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

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	Other Private- Purpose Trust
<b>ADDITIONS</b>	
Private donations	\$ 8,783
Interest	1,256
<b>Total Additions</b>	<u>10,039</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>6,370</u>
<b>Total Deductions</b>	<u>6,370</u>
<b>Change in Net Assets</b>	3,669
<b>Net Assets - Beginning</b>	<u>265,264</u>
<b>Net Assets - Ending</b>	<u><u>\$ 268,933</u></u>

The accompanying notes are an integral part of these financial statements.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Sonora Union High School District was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates one high school, one continuation high school, one independent study high school, an adult education program, and one community day school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Sonora Union High School District, this includes general operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District may be financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units may be other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

#### Other Related Entities

**Public Entity Risk Pools** The District is associated with two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 16 to the financial statements. These organizations are:

Central Valley Health and Welfare Trust  
Tuolumne Joint Powers Authority

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Adult Education Fund** The Adult Education Fund is used to account separately for federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* sections 38091 and 38100).

**Pupil Transportation Equipment Fund** The Pupil Transportation Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

**Special Reserve Fund for Postemployment Benefits** The Special Reserve Fund for Postemployment Benefits may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, and are therefore not available to support the District's own programs. The District's trust fund is the scholarship fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation, are not recognized in the governmental funds.

### Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent investments required by State and Federal governments to be set aside by the District for the purpose of satisfying certain requirements of the grants.

### Stores Inventory

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.



# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the *Statement of Net Assets*.

### Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.



# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$3,055,672 of restricted net assets, of which \$2,018,073 is restricted by enabling legislation.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

## SONORA UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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#### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Tuolumne bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

#### New Accounting Pronouncements

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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In May 2007, GASB issued GASBS No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

## SONORA UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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#### NOTE 2 - DEPOSITS AND INVESTMENTS

##### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 3,324,883
Fiduciary funds	398,550
Total Deposits and Investments	<u>\$ 3,723,433</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 398,550
Cash in revolving	4,000
Investments	3,320,883
Total Deposits and Investments	<u>\$ 3,723,433</u>

##### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 3,320,883	\$ 3,320,883	\$ -	\$ -	\$ -

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2008.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 3,320,883	N/A	\$ -	\$ -	\$ 3,320,883

N/A - Not applicable

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, \$74,185 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 219,175	\$ -	\$ 15,163	\$ 234,338
State Government				
Apportionment	72,886	505,155	-	578,041
Categorical aid	222,487	-	1,317	223,804
Lottery	118,255	-	-	118,255
Local Sources	126,306	-	2,433	128,739
Total	<u>\$ 759,109</u>	<u>\$ 505,155</u>	<u>\$ 18,913</u>	<u>\$ 1,283,177</u>



# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,423,358	\$ -	\$ -	\$ 1,423,358
Construction in process	1,589,356	-	1,265,035	324,321
Total Capital Assets Not Being Depreciated	3,012,714	-	1,265,035	1,747,679
Capital Assets Being Depreciated				
Land improvements	1,870,730	27,942	-	1,898,672
Buildings and improvements	12,901,485	3,357,196	-	16,258,681
Furniture and equipment	3,283,132	198,276	163,230	3,318,178
Total Capital Assets Being Depreciated	18,055,347	3,583,414	163,230	21,475,531
Less Accumulated Depreciation				
Land improvements	767,289	69,097	-	836,386
Buildings and improvements	6,129,453	462,963	-	6,592,416
Furniture and equipment	2,027,075	106,859	163,230	1,970,704
Total Accumulated Depreciation	8,923,817	638,919	163,230	9,399,506
Governmental Activities Capital Assets, Net	\$ 12,144,244	\$ 2,944,495	\$ 1,265,035	\$ 13,823,704

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 293,903
School site administration	12,778
Home-to-school transportation	166,119
Food services	51,114
All other general administration	12,778
Plant services	12,778
Facility acquisition and construction	89,449
Total Depreciation Expense Governmental Activities	\$ 638,919

## SONORA UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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#### NOTE 5 - INTERFUND TRANSACTIONS

##### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	\$ 7,980	\$ -
Deferred Maintenance	-	312,023
Special Reserve - Non-Capital	60,500	
Total Major Governmental Funds	<u>68,480</u>	<u>312,023</u>
Non-Major Governmental Funds		
Adult	-	3,345
Cafeteria	-	4,606
Capital Facilities	291,523	40,029
Total Other Governmental Funds	<u>291,523</u>	<u>47,980</u>
Total All Governmental Funds	<u>\$ 360,003</u>	<u>\$ 360,003</u>

##### Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for the required match.	\$ 116,584
The General Fund transferred to the Cafeteria Fund for cash flow purposes.	126,500
The General Fund transferred to the Special Reserve-Postemployment Benefits Fund for future costs.	476,548
The Deferred Maintenance Fund transferred to the Capital Facilities Fund to reimburse costs.	691,523
The Pupil Transportation Fund transferred to the General Fund for transportation costs.	1,260
The Special Reserve-Postemployment Benefits Fund transferred to the General Fund for current year costs.	172,000
Total	<u>\$ 1,584,415</u>



# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 90,838	\$ 12,629	\$ 22,755	\$ 126,222
State apportionment	-	-	13,340	13,340
Deferred payroll/benefits	809,806	-	-	809,806
Total	<u>\$ 900,644</u>	<u>\$ 12,629</u>	<u>\$ 36,095</u>	<u>\$ 949,368</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 17,075
State categorical aid	2,708
Total	<u>\$ 19,783</u>

### NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2007, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$110,000, which matured on July 6, 2007. On July 6, 2007, the District issued \$225,000 Tax and Revenue Anticipation Notes bearing interest at 3.62 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2008. By June 30, 2008, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$110,000 and related accrued interest and cash held in trust are not included in these financial statements.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2007	Additions	Payments	Outstanding June 30, 2008
July 6, 2006	3.50%	July 6, 2007	\$ 110,000	\$ -	\$ 110,000	\$ -
July 6, 2007	3.62%	July 1, 2008	-	225,000	-	225,000
Total			<u>\$ 110,000</u>	<u>\$ 225,000</u>	<u>\$ 110,000</u>	<u>\$ 225,000</u>

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
Accumulated vacation - net	\$ 100,198	\$ 114,476	\$ 100,198	\$ 114,476	\$ 114,476
Capital leases	98,646	-	38,348	60,298	39,819
Total	<u>\$ 198,844</u>	<u>\$ 114,476</u>	<u>\$ 138,546</u>	<u>\$ 174,774</u>	<u>\$ 154,295</u>

Payments for the capital leases are made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked.

#### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$114,476.

#### Capital Leases

The District's liability on lease agreements with options to purchase including interest are summarized below:

Balance, July 1, 2007	\$ 98,646
Payments	(38,348)
Balance, June 30, 2008	<u>\$ 60,298</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 41,736
2010	20,868
Total	62,604
Less: Amount Representing Interest	2,306
Present Value of Minimum Lease Payments	<u>\$ 60,298</u>

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 10 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Stores inventory	-	-	-	1,912	1,912
Restricted programs	884,705	-	-	-	884,705
Total Reserved	888,705	-	-	1,912	890,617
Unreserved					
Designated					
Economic uncertainties	-	-	616,849	-	616,849
Other designation	579,237	227,187	-	1,326,931	2,133,355
Total Designated	579,237	227,187	616,849	1,326,931	2,750,204
Total	\$ 1,467,942	\$ 227,187	\$ 616,849	\$ 1,328,843	\$ 3,640,821

### NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2008, the following District major fund exceeded the budgeted amounts in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Employee benefits	\$ 2,809,609	\$ 2,834,645	\$ 25,036
Other outgo	\$ 6,928	\$ 14,265	\$ 7,337
Capital outlay	\$ 197,946	\$ 199,898	\$ 1,952

### NOTE 12 - POSTEMPLOYMENT BENEFITS

The District has entered into a contract to provide early retirement incentives for eligible retired employees. These eligible retirees receive health and welfare benefits until they reach 65 years of age. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees premiums are paid. Currently, 27 eligible retirees are receiving benefits under the program. Payments of \$248,543 were made by the District during the year.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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#### **NOTE 13 - RISK MANAGEMENT**

##### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Tuolumne Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

##### **Workers' Compensation**

For fiscal year 2008, the District participated in the Tuolumne Joint Powers Authority, an insurance purchasing pool. The intent of the Tuolumne Joint Powers Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Tuolumne Joint Powers Authority. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Tuolumne Joint Powers Authority. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Tuolumne Joint Powers Authority. Participation in the Tuolumne Joint Powers Authority is limited to districts that can meet the Tuolumne Joint Powers Authority selection criteria.

##### **Employee Medical Benefits**

The District has contracted with the Central Valley Health and Welfare Trust to provide employee medical and surgical benefits. Central Valley Health and Welfare Trust is a shared risk pool comprised of other local education entities within the State of California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

#### **NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

# **SONORA UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **CalSTRS**

#### **Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

#### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$500,018, \$514,972, and \$505,060, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$260,199, \$242,462, and \$225,689, respectively, and equal 100 percent of the required contributions for each year.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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#### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

#### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$273,767 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

### **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

#### **Litigation**

The District is not currently a party to any legal proceedings.

#### **Operating Leases**

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

# SONORA UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Mechanical Hardship Project	\$ 1,000	8/15/09
Gymnasium HVAC	702,082	8/15/09
Re-roofing Project	899,849	8/15/09
Total	<u>\$ 1,602,931</u>	

### NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Central Valley Health and Welfare Trust (CVHWT) and the Tuolumne Joint Powers Authority (TJPA) public entity risk pools (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationship between the District and the JPAs is such that it is not a component unit of the District for financial reporting purposes.

The entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has no appointed board members to the governing board of CVHWT.

During the year ended June 30, 2008, the District made payment of \$1,314,322 to CVHWT for medical, dental and vision insurance.

The District has no appointed board members to the governing board of TJPA.

During the year ended June 30, 2008, the District made payment of \$334,868 to TJPA for workers' compensation and property and liability insurance.

### NOTE 17 - SUBSEQUENT EVENTS

The District issued \$1,235,000 of Tax and Revenue Anticipation Notes dated July 1, 2008. The notes mature on July 6, 2009, and yield 1.65 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that principal and interest due is on account by July 6, 2009.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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# SONORA UNION HIGH SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variances -
	(GAAP Basis)		Actual <sup>1</sup>	Favorable
	Original	Final	(GAAP Basis)	(Unfavorable)
				Final
				to Actual
<b>REVENUES</b>				
Revenue limit sources	\$10,024,671	\$ 9,984,174	\$ 9,991,855	\$ 7,681
Federal sources	751,184	870,441	848,787	(21,654)
Other state sources	2,615,649	2,832,145	2,685,908	(146,237)
Other local sources	679,562	899,718	1,042,415	142,697
<b>Total Revenues</b>	<b>14,071,066</b>	<b>14,586,478</b>	<b>14,568,965</b>	<b>(17,513)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	6,130,472	6,316,234	6,271,815	44,419
Classified salaries	2,842,900	2,907,035	2,832,036	74,999
Employee benefits	2,634,675	2,809,609	2,834,645	(25,036)
Books and supplies	855,408	1,667,105	1,103,657	563,448
Services and other operating expenditures	1,204,624	1,777,699	1,416,177	361,522
Other outgo	6,730	6,929	14,266	(7,337)
Capital outlay	-	197,946	199,898	(1,952)
Debt service				
Principal	38,348	38,348	38,348	-
Interest	3,388	3,388	3,388	-
<b>Total Expenditures</b>	<b>13,716,545</b>	<b>15,724,293</b>	<b>14,714,230</b>	<b>1,010,063</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>354,521</b>	<b>(1,137,815)</b>	<b>(145,265)</b>	<b>992,550</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	174,482	173,260	173,260	-
Transfers out	(295,000)	(677,980)	(719,632)	(41,652)
<b>Net Financing Sources (Uses)</b>	<b>(120,518)</b>	<b>(504,720)</b>	<b>(546,372)</b>	<b>(41,652)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>234,003</b>	<b>(1,642,535)</b>	<b>(691,637)</b>	<b>950,898</b>
<b>Fund Balance - Beginning</b>	<b>2,159,579</b>	<b>2,159,579</b>	<b>2,159,579</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,393,582</b>	<b>\$ 517,044</b>	<b>\$ 1,467,942</b>	<b>\$ 950,898</b>

<sup>1</sup> Excludes on behalf payments made to STRS by the State of California.

# SONORA UNION HIGH SCHOOL DISTRICT

## DEFERRED MAINTENANCE FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Other state sources	\$ 346,000	\$ 570,360	\$ 570,360	\$ -
Other local sources	2,000	2,381	2,381	-
<b>Total Revenues</b>	<u>348,000</u>	<u>572,741</u>	<u>572,741</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Books and supplies	-	4,553	4,553	-
Services and other operating expenditures	-	34,845	34,845	-
Capital outlay	689,730	356,431	356,431	-
<b>Total Expenditures</b>	<u>689,730</u>	<u>395,829</u>	<u>395,829</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(341,730)</u>	<u>176,912</u>	<u>176,912</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	347,000	116,584	116,584	-
Transfers out	-	(691,523)	(691,523)	-
<b>Net Financing Sources (Uses)</b>	<u>347,000</u>	<u>(574,939)</u>	<u>(574,939)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>5,270</u>	<u>(398,027)</u>	<u>(398,027)</u>	<u>-</u>
<b>Fund Balance - Beginning</b>	<u>625,214</u>	<u>625,214</u>	<u>625,214</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 630,484</u>	<u>\$ 227,187</u>	<u>\$ 227,187</u>	<u>\$ -</u>

**SONORA UNION HIGH SCHOOL DISTRICT**

**SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final	(GAAP Basis)	
<b>REVENUES</b>				
Other state sources	\$ -	\$ -	\$ -	\$ -
Other local sources	500	23,700	23,700	-
<b>Total Revenues</b>	<u>500</u>	<u>23,700</u>	<u>23,700</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	500	23,700	23,700	-
<b>Fund Balance - Beginning</b>	<u>593,149</u>	<u>593,149</u>	<u>593,149</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 593,649</u>	<u>\$ 616,849</u>	<u>\$ 616,849</u>	<u>\$ -</u>

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*SUPPLEMENTARY INFORMATION*

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# SONORA UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind			
Title I - Basic	84.010	14329	\$ 340,909
Title II - Part A, Teacher Quality	84.367	14341	48,161
Title II - Part D, Enhancing Education - Tech	84.318	14334	3,541
Title IV - Drug Free Schools	84.184	14347	7,908
Title V - Part A, Innovative Education Strategies	84.298	14354	586
Vocational Educational - Carl Perkins Act, Section 131	84.048	13924	48,491
Vocational Educational - Carl Perkins Act, Section 132	84.048	13923	1,075
Special Education - State Grants			
Local Assistance	84.027	13379	130,486
Total U.S. Department of Education			<u>581,157</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through CDE:			
F.E.M.A. Public Assistance Grants	97.036	10014	90,794
Total U.S. Department of Homeland Security			<u>90,794</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Forest Reserve	10.665	10044	176,836
Child Nutrition Cluster:			
National School Lunch	10.555	13391	77,606
Especially Needy Breakfast	10.553	13526	29,154
Subtotal Child Nutrition Cluster			<u>106,760</u>
Total U.S. Department of Agriculture			<u>283,596</u>
Total Expenditures of Federal Awards			<u>\$ 955,547</u>

See accompanying note to supplementary information.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**

**JUNE 30, 2008**

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#### **ORGANIZATION**

The Sonora Union High School District was established in 1916 and consists of an area comprising approximately 60 square miles. The District operates one high school, one continuation high school, one independent study high school, an adult education program, and one community day school. There were no boundary changes during the year.

#### **GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Ms. Kate Powell Segerstrom	President	2009
Ms. Jeanie Smith	Clerk	2011
Dr. Ed Clinite	Member	2011
Ms. Jan Dona	Member	2011
Mr. Mel Ginn	Member	2009

#### **ADMINISTRATION**

Mr. Michael L. McCoy	Interim Superintendent
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See accompanying note to supplementary information.

# SONORA UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Revised Second Period Report	Annual Report
SECONDARY		
Regular classes	1,295.06	1,279.36
Continuation education	55.24	50.40
Home and hospital	5.69	6.84
Community day school	4.63	5.37
Special education	35.97	34.96
Total Secondary	1,396.59	1,376.93
ADULT		
Not concurrently enrolled	46.05	45.62
Total Adult	46.05	45.62
Grand Total	1,442.64	1,422.55
SUMMER SCHOOL/INTERCESSION - ANNUAL PUPIL HOURS OF ATTENDANCE		
K-12 Core Instruction		9,888
7-12 Remedial Instruction		19,799
Total Hours		29,687

See accompanying note to supplementary information.

## SONORA UNION HIGH SCHOOL DISTRICT

### SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

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Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	57,880	64,800				
Grade 9			65,142	180	N/A	Complied
Grade 10			65,142	180	N/A	Complied
Grade 11			65,142	180	N/A	Complied
Grade 12			65,142	180	N/A	Complied

See accompanying note to supplementary information.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

# SONORA UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	Budget 2009 <sup>1</sup>	2008 <sup>4</sup>	2007 <sup>4</sup>	2006 <sup>4</sup>
GENERAL FUND				
Revenues	\$ 13,157,407	\$ 14,568,965	\$ 15,483,987	\$ 13,890,923
Other sources and transfers in	198,502	173,260	-	9,700
Total Revenues and Other Sources	13,355,909	14,742,225	15,483,987	13,900,623
Expenditures	14,153,214	14,714,230	14,016,108	13,279,092
Other uses and transfers out	88,000	719,632	840,725	112,928
Total Expenditures and Other Uses	14,241,214	15,433,862	14,856,833	13,392,020
INCREASE/(DECREASE) IN FUND BALANCE	\$ (885,305)	\$ (691,637)	\$ 627,154	\$ 508,603
ENDING FUND BALANCE	\$ 582,637	\$ 1,467,942	\$ 2,159,579	\$ 1,532,425
AVAILABLE RESERVES <sup>2</sup>	\$ 693,606	\$ 616,849	\$ 1,138,770	\$ 736,942
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.87%	4.00%	7.66%	5.50%
LONG-TERM OBLIGATIONS	Not Available	\$ 174,774	\$ 198,844	\$ 234,687
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	1,397	1,397	1,487	1,555

The General Fund balance has decreased by \$64,483 over the past two years. The fiscal year 2008-09 budget projects a decrease of \$885,305 (60.3 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District's available reserves dropped by 3.66 percent from the prior year and although their reserve percentage is budgeted to increase, they are budgeting for a second year of deficit spending in excess of \$650,000.

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2008-09 fiscal year. Total long-term obligations have decreased by \$59,913 over the past two years.

Average daily attendance has decreased by 158 over the past two years. No change in ADA is anticipated during fiscal year 2008-09.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Non-Capital Fund.

<sup>3</sup> Excludes Adult Education ADA.

<sup>4</sup> On behalf payments have been excluded from this schedule.

See accompanying note to supplementary information.

# **SONORA UNION HIGH SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2008**

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### **Section 19833.5 (a)(3) or (a)(3)(b) Disclosure**

Sonora Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2008**

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#### **NOTE 1 - PURPOSE OF SCHEDULES**

##### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

##### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

##### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

##### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

##### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

##### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

##### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).



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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# SONORA UNION HIGH SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Adult Fund	Cafeteria Fund	Pupil Transportation Fund
<b>ASSETS</b>			
Deposits and investments	\$ 117,958	\$ 9,160	\$ 1,901
Receivables	-	17,209	-
Due from other funds	-	-	-
Stores inventories	-	1,912	-
<b>Total Assets</b>	<u>\$ 117,958</u>	<u>\$ 28,281</u>	<u>\$ 1,901</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 13,350	\$ 1,873	\$ -
Due to other funds	3,345	4,606	-
<b>Total Liabilities</b>	<u>16,695</u>	<u>6,479</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories	-	1,912	-
Unreserved:			
Designated	101,263	19,890	1,901
<b>Total Fund Balances</b>	<u>101,263</u>	<u>21,802</u>	<u>1,901</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 117,958</u>	<u>\$ 28,281</u>	<u>\$ 1,901</u>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Retiree Benefits Fund</b>	<b>Building- Redevelopment Fund</b>	<b>Capital Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 420,750	\$ 78,499	\$ 6,896	\$ 465,406	\$ 1,100,570
-	-	1,704	-	18,913
-	-	291,523	-	291,523
-	-	-	-	1,912
<u>\$ 420,750</u>	<u>\$ 78,499</u>	<u>\$ 300,123</u>	<u>\$ 465,406</u>	<u>\$ 1,412,918</u>
\$ -	\$ -	\$ 20,872	\$ -	\$ 36,095
-	-	40,029	-	47,980
-	-	60,901	-	84,075
-	-	-	-	1,912
<u>420,750</u>	<u>78,499</u>	<u>239,222</u>	<u>465,406</u>	<u>1,326,931</u>
<u>420,750</u>	<u>78,499</u>	<u>239,222</u>	<u>465,406</u>	<u>1,328,843</u>
<u>\$ 420,750</u>	<u>\$ 78,499</u>	<u>\$ 300,123</u>	<u>\$ 465,406</u>	<u>\$ 1,412,918</u>

# SONORA UNION HIGH SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Adult Fund	Cafeteria Fund	Pupil Transportation Fund
<b>REVENUES</b>			
Federal sources	\$ -	\$ 106,760	\$ -
Other state sources	226,989	10,804	-
Other local sources	5,589	257,287	-
<b>Total Revenues</b>	<u>232,578</u>	<u>374,851</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
Instruction	132,858	-	-
Instruction-related activities:			
School site administration	18,890	-	-
Pupil Services:			
Food services	-	486,446	-
General administration:			
All other general administration	-	-	-
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<u>151,748</u>	<u>486,446</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>80,830</u>	<u>(111,595)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	126,500	-
Transfers out	-	-	(1,260)
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>126,500</u>	<u>(1,260)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>80,830</u>	<u>14,905</u>	<u>(1,260)</u>
<b>Fund Balance - Beginning</b>	<u>20,433</u>	<u>6,897</u>	<u>3,161</u>
<b>Fund Balance - Ending</b>	<u>\$ 101,263</u>	<u>\$ 21,802</u>	<u>\$ 1,901</u>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Retiree Benefits Fund</b>	<b>Building- Redevelopment Fund</b>	<b>Capital Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 106,760
-	-	-	-	237,793
7,009	23,718	144,769	21,413	459,785
7,009	23,718	144,769	21,413	804,338
-	-	-	-	132,858
-	-	-	-	18,890
-	-	-	-	486,446
-	-	50,812	-	50,812
-	-	1,145,983	-	1,145,983
-	-	1,196,795	-	1,834,989
7,009	23,718	(1,052,026)	21,413	(1,030,651)
476,548	-	691,523	-	1,294,571
(172,000)	-	-	-	(173,260)
304,548	-	691,523	-	1,121,311
311,557	23,718	(360,503)	21,413	90,660
109,193	54,781	599,725	443,993	1,238,183
\$ 420,750	\$ 78,499	\$ 239,222	\$ 465,406	\$ 1,328,843

## **SONORA UNION HIGH SCHOOL DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008**

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#### **NOTE 1 - PURPOSE OF SCHEDULES**

##### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.



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*INDEPENDENT AUDITORS' REPORTS*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Sonora Union High School District  
Sonora, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sonora Union High School District as of and for the year ended June 30, 2008, which collectively comprise Sonora Union High School District's basic financial statements and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sonora Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sonora Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sonora Union High School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Financial Statement Findings as items 2008-1 through 2008-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sonora Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Vaukinek, Orkine, Day & Co., LLP*

Fresno, California  
November 10, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Sonora Union High School District  
Sonora, California

**Compliance**

We have audited the compliance of Sonora Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Sonora Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Sonora Union High School District's management. Our responsibility is to express an opinion on Sonora Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Sonora Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sonora Union High School District's compliance with those requirements.

In our opinion, Sonora Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Sonora Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Sonora Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sonora Union High School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Vauxinek, Uline, Day & Co., LLP*

Fresno, California  
November 10, 2008



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Sonora Union High School District  
Sonora, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sonora Union High School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Sonora Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Sonora Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No (see below)
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Not Applicable
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School district bonds	3	Not Applicable
State school facilities funds	1	Not Applicable
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Community Day Schools because the ADA was below the minimum testing level per State standard.

Based on our audit, we found that for the items tested, the Sonora Union High School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Sonora Union High School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Sonora Union High School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Vaukinek, Otkine, Day & Co., LLP*

Fresno, California  
November 10, 2008



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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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# SONORA UNION HIGH SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

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### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Basic</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

## SONORA UNION HIGH SCHOOL DISTRICT

### FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

#### ***DISTRICT OFFICE***

2008-1      30000

#### ***Financial Condition***

#### **Finding**

The District deficit spent this year in the General Fund by nearly \$700,000 which caused a related decrease of available reserves of over \$500,000. The initially adopted budget anticipates additional deficit spending in the General Fund of nearly \$900,000. The District exceeded their three percent minimum reserve, however, the District has been experiencing significant declining enrollment of about ten percent over the previous two years, a trend which is anticipated to continue. This will in turn reduce revenue limit funding which is the primary source of revenue in the General Fund.

#### **Recommendation**

The District should be vigilant regarding their financial condition. The District should try to bring their available reserve percentage to a higher level as the three percent reserve requirement is a minimum requirement and does not provide much leverage when State and local conditions reduce funding. The District should take steps to cease deficit spending and monitor State and local conditions very closely to be prepared to act in a timely fashion if conditions worsen.

#### **District Response**

Deficit spending in 2007-08 included a lot of one-time expenditures from one-time revenues received in 2006-07. Almost \$375,000 was Inter-fund transfers to Fund 20, Fund 13, and Fund 14 for one-time contributions for designated expenditures.

*The initial July 2008-09 Budget anticipated about \$660,000 deficit spending in the General Fund. A revised September 2008-09 Budget (after the close of 2007-08) showed an increase of deficit spending to nearly \$900,000. This includes an increase to expenditures for deferred revenues and carryover balances from 2007-08, mostly in restricted programs. The initial July 2008-09 Budget deficit is due to a decline of about 90 P-2 ADA and a 0.00% COLA.*

The District has a 15 year history of projected enrollments and monitors it regularly by reviewing current enrollment and gathering feeder school 8th grade enrollments. Projections are made each spring with the most current enrollment data and used to plan for FTE projections for the budget year. Additional feeder school districts' enrollments for 7th and 6th grade levels are used to project future year enrollments.

# SONORA UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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A ratio of CBEDS enrollment to P-2 ADA shows an average decrease of almost ten percent for the past ten years. The CBEDS enrollment is used to calculate to current year P-2 ADA with the ten percent decrease for projecting budget year revenues.

These enrollment and revenue projections are used in the SACS Interims' Multi-Year Projections to determine future increases or decrease needed in staff FTE's for salary and benefits, instructional programs, and support services.

Given the history of declining enrollment and the present state and local economy, the District administration and Board realize the importance of current and accurate projections, conservative budgeting, and the need to increase the economic reserve. The minimum three percent was increased to four percent a few years ago. Last year, the economic reserve was moved to Fund 17, which makes it readily visible and able to earn interest to naturally increase the balance. Additional contributions will be recommended to further increase the reserve percentage as the budget allows.

### ***SONORA HIGH SCHOOL***

2008-2      30000

#### ***Associated Student Body***

#### ***Cash Receipts***

#### **Finding**

While testing the cash receipts system, we discovered that teachers are not using sub-receipt booklets or a class roster to document when money is being turned in to them, how much money, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

#### **Recommendation**

The site should implement cash receipting procedures for all monies collected by teacher and advisors.

#### **District Response**

The District administration will require the appropriate forms be submitted with all cash receipts. The ASB bookkeeper will continue to provide the necessary forms to all advisors/teachers/coaches. Any and all cash forwarded to ASB without the appropriate forms will be returned to the advisor/teacher/coach by the ASB bookkeeper, with the request to resubmit with the required forms. If necessary, the site principal and/or chief business official will meet with the advisor/teacher/coach to review the requirements. Periodic review will be done by the chief business official to ensure the procedures are being followed and the forms are being used.

## SONORA UNION HIGH SCHOOL DISTRICT

### FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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2008-3     30000

#### *Cash Disbursements*

#### **Finding**

In reviewing the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted the following:

- Purchase orders or purchase approval forms are not always used/Disbursements are made prior to authorization
- ASB Bookkeeper is a signor on the checks.

#### **Recommendation**

The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, "Accounting and Procedures for Student Organization."

- The site should use a purchase approval form or a purchase order, in order to get the proper authorization before items are purchased by the teachers/advisors.
- The ASB Bookkeeper should be replaced by an administrator as the signer on the account.

#### **District Response**

A copy of "Accounting and Procedures for Student Organization" has been ordered from the California Department of Education. It will be reviewed, along with the FCMAT Accounting Manual for Associated Student Body, by the district administration, site principal, student body advisor, and bookkeeper. An appropriate purchase approval form or purchase order will be identified for use. The completed form will be required before cash disbursements are processed.

Six site administrators are signers on the ASB bank account. The ASB bookkeeper will not sign checks but will remain a signer on the account for informational purposes only. Periodic review will be done by the chief business official to ensure the proper procedures are being followed.

# SONORA UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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2008-4     30000

### *Revenue Potentials*

#### **Finding**

Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form is a vital internal control tool that is used to document revenues, expenditures, potential revenue and actual revenue for fundraisers. We noted that revenue potential forms are not on file to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

#### **Recommendation**

The site should complete a revenue potential form for every fundraiser the clubs/site participates in and keep this form on file for future reference.

#### **District Response**

The District will provide necessary forms, including revenue potential forms, to be used for all fundraising activities. Periodic review will be done by the Chief Business Official to ensure the forms are being used and the fundraising procedures are being followed.

**SONORA UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.



**SONORA UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.

**SONORA UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

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There were no audit findings reported in the prior year's schedule of financial statement findings.